

REFERENCE TITLE: omnibus tax relief act

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SB 1545

Introduced by
Senators Martin, Bee, Bennett, Blendu; Representatives Gorman, Huffman,
Knaperek, Pearce, Pierce, Yarbrough; Senators Huppenthal, Jarrett;
Representatives Reagan, Stump

AN ACT

PROVIDING FOR DELAYED REPEAL OF SECTION 15-994, ARIZONA REVISED STATUTES;
AMENDING SECTIONS 41-1276, 42-1116, 42-5001, 42-5010, 42-5029 AND 42-5069,
ARIZONA REVISED STATUTES; REPEALING SECTION 42-5077, ARIZONA REVISED
STATUTES; AMENDING SECTIONS 42-5201 AND 42-5202, ARIZONA REVISED STATUTES;
REPEALING TITLE 42, CHAPTER 5, ARTICLE 9, ARIZONA REVISED STATUTES; AMENDING
SECTIONS 43-1011 AND 43-1111, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Delayed repeal

3 Section 15-994, Arizona Revised Statutes, is repealed from and after
4 December 31, 2008.

5 Sec. 2. Section 41-1276, Arizona Revised Statutes, is amended to read:

6 41-1276. Truth in taxation levy for equalization assistance to
7 school districts

8 A. On or before February 15 of each year, the joint legislative budget
9 committee shall compute and transmit the truth in taxation rates for
10 equalization assistance for school districts for the following fiscal year
11 to:

12 1. The chairmen of the house of representatives ways and means
13 committee and the senate finance committee or their successor committees.

14 2. The chairmen of the appropriations committees of the senate and the
15 house of representatives or their successor committees.

16 B. The truth in taxation rates consist of the qualifying tax rate for
17 a high school district or a common school district within a high school
18 district that does not offer instruction in high school subjects pursuant to
19 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
20 unified district, a common school district not within a high school district
21 or a common school district within a high school district that offers
22 instruction in high school subjects pursuant to section 15-971, subsection B,
23 paragraph 2 and a county equalization assistance for education tax rate
24 pursuant to section 15-994 that will offset the change in net assessed
25 valuation of property that was subject to tax in the prior year.

26 C. The joint legislative budget committee shall compute the truth in
27 taxation rates as follows:

28 1. Determine the statewide primary net assessed value for the
29 preceding tax year as provided in section 42-17151, subsection A,
30 paragraph 3.

31 2. Determine the statewide primary net assessed value for the current
32 tax year, excluding the net assessed value of property that was not subject
33 to tax in the preceding year.

34 3. Divide the amount determined in paragraph 1 of this subsection by
35 the amount determined in paragraph 2 of this subsection.

36 4. Adjust the qualifying tax rates and the county equalization
37 assistance for education tax rate for the current fiscal year by the
38 percentage determined in paragraph 3 of this subsection in order to offset
39 the change in net assessed value.

40 D. Except as provided in subsections E and G of this section, the
41 qualifying tax rate for a high school district or a common school district
42 within a high school district that does not offer instruction in high school
43 subjects, the qualifying tax rate for a unified school district, a common
44 school district not within a high school district or a common school district
45 within a high school district that offers instruction in high school subjects

1 and the county equalization assistance for education tax rate for the
2 following fiscal year shall be the rate determined by the joint legislative
3 budget committee pursuant to subsection C of this section. The committee
4 shall transmit the rates to the superintendent of public instruction and the
5 county boards of supervisors by March 15 each year.

6 E. If the legislature proposes either qualifying tax rates or a county
7 equalization assistance for education tax rate that exceeds the truth in
8 taxation rate:

9 1. The house of representatives ways and means committee and the
10 senate finance committee or their successor committees shall hold a joint
11 hearing on or before February 28 and publish a notice of a truth in taxation
12 hearing that meets the following requirements:

13 (a) The notice shall be published twice in a newspaper of general
14 circulation in this state that is published at the state capital. The first
15 publication shall be at least fourteen but not more than twenty days before
16 the date of the hearing. The second publication shall be at least seven but
17 not more than ten days before the date of the hearing.

18 (b) The notice shall be published in a location other than the
19 classified or legal advertising section of the newspaper.

20 (c) The notice shall be at least one-fourth page in size and shall be
21 surrounded by a solid black border at least one-eighth inch in width.

22 (d) The notice shall be in the following form, with the "truth in
23 taxation hearing - notice of tax increase" headline in at least eighteen
24 point type:

25 Truth in Taxation Hearing

26 Notice of Tax Increase

27 In compliance with section 41-1276, Arizona Revised
28 Statutes, the state legislature is notifying property taxpayers
29 in Arizona of the legislature's intention to raise the property
30 tax levy over last year's level.

31 The proposed tax increase will cause the taxes on a
32 \$100,000 home to increase by \$_____.

33 All interested citizens are invited to attend a public
34 hearing on the tax increase that is scheduled to be held
35 _____ (date and time) at _____ (location).

36 (e) For purposes of computing the tax increase on a one hundred
37 thousand dollar home as required by the notice, the joint meeting of the
38 house of representatives ways and means committee and the senate finance
39 committee or their successor committees shall consider the difference between
40 the truth in taxation rate and the proposed increased rate.

41 2. The joint meeting of the house of representatives ways and means
42 committee and the senate finance committee or their successor committees
43 shall consider any motion to recommend the proposed tax rates to the full
44 legislature by roll call vote.

F. In addition to publishing the truth in taxation notice under subsection E, paragraph 1 of this section, the joint meeting of the house of representatives ways and means committee and the senate finance committee or their successor committees shall issue a press release containing the truth in taxation notice.

G. Notwithstanding any other law, the legislature shall not adopt a state budget that provides for either qualifying tax rates pursuant to section 15-971 or a county equalization assistance for education tax rate pursuant to section 15-994 that exceeds the truth in taxation rates computed pursuant to subsection A of this section unless the rates are adopted by a concurrent resolution approved by an affirmative roll call vote of two-thirds of the members of each house of the legislature before the legislature enacts the general appropriations bill. If the resolution is not approved by two-thirds of the members of each house of the legislature, the rates for the following fiscal year shall be the truth in taxation rates determined pursuant to subsection C of this section and shall be transmitted to the superintendent of public instruction and the county boards of supervisors.

H. Notwithstanding subsection C of this section and if approved by the qualified electors voting at a statewide general election, the legislature shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high school district or \$4.253 for a unified school district. The legislature shall not set a county equalization assistance for education rate that exceeds \$0.5123.

I. Pursuant to subsection C of this section, the qualifying tax rate in fiscal year ~~2006~~ 2005-2006 for a common or high school district is \$1.8090 and for a unified school district is \$3.6180. The county equalization assistance for education rate ~~in fiscal year 2006~~ is:

(a) \$0.4358 IN FISCAL YEAR 2005-2006.

(b) \$0.2179 IN FISCAL YEAR 2006-2007.

(c) \$0.0000 IN FISCAL YEAR 2007-2008 AND EACH FISCAL YEAR THEREAFTER.

Sec. 3. Section 42-1116, Arizona Revised Statutes, is amended to read:
42-1116. Disposition of tax revenues

A. The department shall promptly deposit, pursuant to sections 35-146 and 35-147, all monies it collects from the taxes administered pursuant to this article except the telecommunication services excise tax, separately accounting for each type of tax and each tax classification within each type of tax. At the same time the department of revenue shall also furnish copies of the transmittal schedules to the director of the department of administration.

B. Except as provided by subsection C of this section, the department shall deposit all monies and remittances received under this section to the credit of the following specific funds and accounts:

1. Amounts sufficient to meet the requirements for tax refunds to the tax refund account established in section 42-1117.

1 2. Amounts sufficient to meet the requirements of urban revenue
2 sharing to the urban revenue sharing fund established in section 43-206.

3 3. Amounts collected pursuant to chapter 5, articles 1, ~~AND 5 and 9~~
4 of this title and section 42-5352, subsection A, ~~to the transaction~~
5 privilege and severance tax clearing account established ~~in~~ BY section
6 42-5029.

7 4. Through June 30, 2010 amounts sufficient to meet the requirements
8 of section 42-3104 to the corrections fund.

9 5. Amounts sufficient to meet the requirements of section 49-282,
10 subsection B relating to the water quality assurance revolving fund.

11 6. All remaining monies to the state general fund.

12 C. From the monies and remittances received under this section, each
13 month beginning July, 2001 the state treasurer shall transmit to the tourism
14 and sports authority, established by title 5, chapter 8, for deposit in its
15 facility revenue clearing account established by section 5-834, the greater
16 of:

17 1. One-twelfth of the amount reported by the department pursuant to
18 section 43-209.

19 2. Two hundred ninety-two thousand dollars per month for the first
20 twelve month period, increased in each subsequent twelve month period by an
21 additional eight per cent over the prior twelve months' distribution.

22 Sec. 4. Section 42-5001, Arizona Revised Statutes, is amended to read:
23 42-5001. Definitions

24 In this article and article 2 of this chapter, unless the context
25 otherwise requires:

26 1. "Business" includes all activities or acts, personal or corporate,
27 engaged in or caused to be engaged in with the object of gain, benefit or
28 advantage, either directly or indirectly, but not casual activities or sales.

29 2. "Distribution base" means the portion of the revenues derived from
30 the tax levied by this article and articles 5, ~~AND 8 and 9~~ of this chapter
31 designated for distribution to counties, municipalities and other purposes
32 according to section 42-5029, subsection D.

33 3. "Engaging", when used with reference to engaging or continuing in
34 business, includes the exercise of corporate or franchise powers.

35 4. "Gross income" means the gross receipts of a taxpayer derived from
36 trade, business, commerce or sales and the value proceeding or accruing from
37 the sale of tangible personal property or service, or both, and without any
38 deduction on account of losses.

39 5. "Gross proceeds of sales" means the value proceeding or accruing
40 from the sale of tangible personal property without any deduction on account
41 of the cost of property sold, expense of any kind or losses, but cash
42 discounts allowed and taken on sales are not included as gross income.

43 6. "Gross income" and "gross proceeds of sales" do not include goods,
44 wares or merchandise, or value thereof, returned by customers if the sale
45 price is refunded either in cash or by credit, nor the value of merchandise

1 traded in on the purchase of new merchandise when the trade-in allowance is
2 deducted from the sales price of the new merchandise before completion of the
3 sale.

4 7. "Gross receipts" means the total amount of the sale, lease or
5 rental price, as the case may be, of the retail sales of retailers, including
6 any services that are a part of the sales, valued in money, whether received
7 in money or otherwise, including all receipts, cash, credits and property of
8 every kind or nature, and any amount for which credit is allowed by the
9 seller to the purchaser without any deduction from the amount on account of
10 the cost of the property sold, materials used, labor or service performed,
11 interest paid, losses or any other expense. Gross receipts do not include
12 cash discounts allowed and taken nor the sale price of property returned by
13 customers if the full sale price is refunded either in cash or by credit.

14 8. "Person" or "company" includes an individual, firm, partnership,
15 joint venture, association, corporation, estate or trust, this state, any
16 county, city, town, district, other than a school district, or other
17 political subdivision and any other group or combination acting as a unit,
18 and the plural as well as the singular number.

19 9. "Qualifying community health center":

20 (a) Means an entity that is recognized as nonprofit under section
21 501(c)(3) of the United States internal revenue code, that is a
22 community-based, primary care clinic that has a community-based board of
23 directors and that is either:

24 (i) The sole provider of primary care in the community.

25 (ii) A nonhospital affiliated clinic that is located in a federally
26 designated medically underserved area in this state.

27 (b) Includes clinics that are being constructed as qualifying
28 community health centers.

29 10. "Qualifying health care organization" means an entity that is
30 recognized as nonprofit under section 501(c) of the United States internal
31 revenue code and that uses, saves or invests at least eighty per cent of all
32 monies that it receives from all sources each year only for health and
33 medical related educational and charitable services, as documented by annual
34 financial audits prepared by an independent certified public accountant,
35 performed according to generally accepted accounting standards and filed
36 annually with the department. Monies that are used, saved or invested to
37 lease, purchase or construct a facility for health and medical related
38 education and charitable services are included in the eighty per cent
39 requirement.

40 11. "Qualifying hospital" means any of the following:

41 (a) A licensed hospital which is organized and operated exclusively
42 for charitable purposes, no part of the net earnings of which inures to the
43 benefit of any private shareholder or individual.

44 (b) A licensed nursing care institution or a licensed residential care
45 institution or a residential care facility operated in conjunction with a

1 licensed nursing care institution or a licensed kidney dialysis center, which
2 provides medical services, nursing services or health related services and is
3 not used or held for profit.

4 (c) A hospital, nursing care institution or residential care
5 institution which is operated by the federal government, this state or a
6 political subdivision of this state.

7 (d) A facility that is under construction and that on completion will
8 be a facility under subdivision (a), (b) or (c) of this paragraph.

9 12. "Retailer" includes every person engaged in the business classified
10 under the retail classification pursuant to section 42-5061 and, when in the
11 opinion of the department it is necessary for the efficient administration of
12 this article, includes dealers, distributors, supervisors, employers and
13 salesmen, representatives, peddlers or canvassers as the agents of the
14 dealers, distributors, supervisors or employers under whom they operate or
15 from whom they obtain the tangible personal property sold by them, whether in
16 making sales on their own behalf or on behalf of the dealers, distributors,
17 supervisors or employers.

18 13. "Sale" means any transfer of title or possession, or both,
19 exchange, barter, lease or rental, conditional or otherwise, in any manner or
20 by any means whatever, including consignment transactions and auctions, of
21 tangible personal property or other activities taxable under this chapter,
22 for a consideration, and includes:

23 (a) Any transaction by which the possession of property is transferred
24 but the seller retains the title as security for the payment of the price.

25 (b) Fabricating tangible personal property for consumers who furnish
26 either directly or indirectly the materials used in the fabrication work.

27 (c) Furnishing, preparing or serving for a consideration any tangible
28 personal property consumed on the premises of the person furnishing,
29 preparing or serving the tangible personal property.

30 14. "Solar daylighting" means a device that is specifically designed to
31 capture and redirect the visible portion of the solar beam, while controlling
32 the infrared portion, for use in illuminating interior building spaces in
33 lieu of artificial lighting.

34 15. "Solar energy device" means a system or series of mechanisms
35 designed primarily to provide heating, to provide cooling, to produce
36 electrical power, to produce mechanical power, to provide solar daylighting
37 or to provide any combination of the foregoing by means of collecting and
38 transferring solar generated energy into such uses either by active or
39 passive means, including wind generator systems that produce electricity.
40 Solar energy systems may also have the capability of storing solar energy for
41 future use. Passive systems shall clearly be designed as a solar energy
42 device, such as a trombe wall, and not merely as a part of a normal
43 structure, such as a window.

1 16. "Tangible personal property" means personal property which may be
2 seen, weighed, measured, felt or touched or is in any other manner
3 perceptible to the senses.

4 17. "Tax year" or "taxable year" means either the calendar year or the
5 taxpayer's fiscal year, if permission is obtained from the department to use
6 a fiscal year as the tax period instead of the calendar year.

7 18. "Taxpayer" means any person who is liable for any tax which is
8 imposed by this article.

9 19. "Wholesaler" or "jobber" means any person who sells tangible
10 personal property for resale and not for consumption by the purchaser.

11 Sec. 5. Section 42-5010, Arizona Revised Statutes, is amended to read:
12 42-5010. Rates; distribution base

13 A. The tax imposed by this article is levied and shall be collected at
14 the following rates:

15 1. Five per cent of the tax base as computed for the business of every
16 person engaging or continuing in this state in the following business
17 classifications described in article 2 of this chapter:

18 (a) Transporting classification.

19 (b) Utilities classification.

20 (c) Telecommunications classification.

21 (d) Pipeline classification.

22 (e) Private car line classification.

23 (f) Publication classification.

24 (g) Job printing classification.

25 (h) Prime contracting classification.

26 (i) Owner builder sales classification.

27 (j) Amusement classification.

28 (k) Restaurant classification.

29 (l) Personal property rental classification.

30 (m) Retail classification.

31 ~~(n) Membership camping classification.~~

32 2. Five and one-half per cent of the tax base as computed for the
33 business of every person engaging or continuing in this state in the
34 transient lodging classification described in section 42-5070.

35 3. Three and one-eighth per cent of the tax base as computed for the
36 business of every person engaging or continuing in this state in the mining
37 classification described in section 42-5072.

38 4. Zero per cent of the tax base as computed for the business of every
39 person engaging or continuing in this state in the commercial lease
40 classification described in section 42-5069.

41 B. Twenty per cent of the tax revenues collected at the rate
42 prescribed by subsection A, paragraph 1 of this section from persons on
43 account of engaging in business under the business classifications listed in
44 subsection A, paragraph 1, subdivisions (a) through (i) of this section is
45 designated as distribution base for purposes of section 42-5029.

1 C. Forty per cent of the tax revenues collected at the rate prescribed
2 by subsection A, paragraph 1 of this section from persons on account of
3 engaging in business under the business classifications listed in subsection
4 A, paragraph 1, subdivisions (j) through ~~(n)~~ (m) of this section is
5 designated as distribution base for purposes of section 42-5029.

6 D. Thirty-two per cent of the tax revenues collected from persons on
7 account of engaging in business under the business classification listed in
8 subsection A, paragraph 3 of this section is designated as distribution base
9 for purposes of section 42-5029.

10 E. Fifty-three and one-third per cent of the tax revenues collected
11 from persons on account of engaging in business under the business
12 classification listed in subsection A, paragraph 4 of this section is
13 designated as distribution base for purposes of section 42-5029.

14 F. Fifty per cent of the tax revenues collected from persons on
15 account of engaging in business under the business classification listed in
16 subsection A, paragraph 2 of this section is designated as distribution base
17 for purposes of section 42-5029.

18 G. In addition to the rates prescribed by subsection A of this
19 section, if approved by the qualified electors voting at a statewide general
20 election, an additional rate increment is imposed and shall be collected
21 through June 30, 2021. The taxpayer shall pay taxes pursuant to this
22 subsection at the same time and in the same manner as under subsection A of
23 this section. The department shall separately account for the revenues
24 collected with respect to the rates imposed pursuant to this subsection and
25 the state treasurer shall distribute all of those revenues in the manner
26 prescribed by section 42-5029, subsection E. The rates imposed pursuant to
27 this subsection shall not be considered local revenues for purposes of
28 article IX, section 21, Constitution of Arizona. The additional tax rate
29 increment is levied at the rate of six-tenths of one per cent of the tax base
30 of every person engaging or continuing in this state in a business
31 classification listed in subsection A, paragraph 1 of this section.

32 H. Any increase in the rate of tax that is imposed by this chapter and
33 that is enacted by the legislature or by a vote of the people does not apply
34 with respect to contracts entered into by prime contractors or pursuant to
35 written bids made by prime contractors on or before the effective date of the
36 legislation or the date of the election enacting the increase. To qualify
37 for the exemption under this subsection, the prime contractor must maintain
38 sufficient documentation, in a manner and form prescribed by the department,
39 to verify the date of the contract or written bid.

40 I. For taxpayers taxable under this chapter other than prime
41 contractors taxable pursuant to section 42-5075:

42 1. Any increase in the rate of tax that is levied by this article or
43 article 2 of this chapter enacted by the legislature or by a vote of the
44 people does not apply for a period of one hundred twenty days from the date
45 of the tax rate increase to the gross proceeds of sales or gross income from

1 the business of the taxpayer with respect to written contracts entered into
2 before the effective date of the tax rate increase unless the taxpayer has
3 entered into a contract that contains a provision that entitles the taxpayer
4 to recover from the purchaser the amount of the additional tax levied.

5 2. The provisions of this subsection apply without regard to the
6 accounting method used by the taxpayer to report the taxes imposed under
7 article 2 of this chapter.

8 3. The provisions of this subsection shall not be considered in
9 determining the rate of tax imposed under chapter 6, article 3 of this title.

10 Sec. 6. Section 42-5029, Arizona Revised Statutes, is amended to read:

11 ~~42-5029.~~ Remission and distribution of monies; definition

12 A. The department shall deposit, pursuant to sections 35-146 and
13 35-147, all revenues collected under this article and articles 4, 5, ~~AND 8~~
14 ~~and 9~~ of this chapter pursuant to section 42-1116, separately accounting for:

15 1. Payments of estimated tax under section 42-5014, subsection D.

16 2. Revenues collected pursuant to section 42-5070.

17 3. Revenues collected under this article and article 5 of this chapter
18 from and after June 30, 2000 from sources located on Indian reservations in
19 this state.

20 4. Revenues collected pursuant to section 42-5010, subsection G and
21 section 42-5155, subsection D.

22 B. The department shall credit payments of estimated tax to an
23 estimated tax clearing account and each month shall transfer all monies in
24 the estimated tax clearing account to a fund designated as the transaction
25 privilege and severance tax clearing account. The department shall credit
26 all other payments to the transaction privilege and severance tax clearing
27 account, separately accounting for the monies designated as distribution base
28 under sections 42-5010, 42-5164, 42-5205, ~~AND 42-5353 and 42-5409~~. Each
29 month the department shall report to the state treasurer the amount of monies
30 collected pursuant to this article and articles 4, 5, ~~AND 8 and 9~~ of this
31 chapter.

32 C. On notification by the department, the state treasurer shall
33 distribute the monies deposited in the transaction privilege and severance
34 tax clearing account in the manner prescribed by this section and by sections
35 42-5164, 42-5205, ~~AND 42-5353 and 42-5409~~, after deducting warrants drawn
36 against the account pursuant to sections 42-1118 and 42-1254.

37 D. Of the monies designated as distribution base the department shall:

38 1. Pay twenty-five per cent to the various incorporated municipalities
39 in this state in proportion to their population to be used by the
40 municipalities for any municipal purpose.

41 2. Pay 38.08 per cent to the counties in this state by averaging the
42 following proportions:

43 (a) The proportion that the population of each county bears to the
44 total state population.

(b) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and ~~sections~~ SECTION 42-5353 and ~~42-5409~~ bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and ~~sections~~ SECTION 42-5353 and ~~42-5409~~ throughout the state for the calendar month.

3. Pay an additional 2.43 per cent to the counties in this state as follows:

(a) Average the following proportions:

(i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.

(ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B, section 42-5205, subsection B and ~~sections~~ SECTION 42-5353 and ~~42-5409~~ bear to the total distribution base monies collected under this article, section 42-5164, subsection B, section 42-5205, subsection B and ~~sections~~ SECTION 42-5353 and ~~42-5409~~ throughout the state for the calendar month.

(b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.

4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount:

(a) The legislature shall annually appropriate to:

(i) The department of revenue sufficient monies to administer and enforce this article and articles 5, ~~AND 8 and 9~~ of this chapter.

(ii) The department of economic security monies to be used for the purposes stated in title 46, chapter 1.

(iii) The Arizona arts endowment fund established by section 41-986, the full amount by which revenues derived from the amusement classification pursuant to section 42-5073 for the current fiscal year exceed the revenues that were derived from that classification in fiscal year 1993-1994, except that this amount shall not exceed two million dollars through fiscal year 2008-2009.

(iv) The firearms safety and ranges fund established by section 17-273, fifty thousand dollars derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

(b) The state treasurer shall transfer to the tourism fund an amount equal to the sum of the following:

(i) Three and one-half per cent of the gross revenues derived from the transient lodging classification pursuant to section 42-5070 during the preceding fiscal year.

(ii) Three per cent of the gross revenues derived from the amusement classification pursuant to section 42-5073 during the preceding fiscal year.

(iii) Two per cent of the gross revenues derived from the restaurant classification pursuant to section 42-5074 during the preceding fiscal year.

E. If approved by the qualified electors voting at a statewide general election, all monies collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D shall be distributed each fiscal year pursuant to this subsection. The monies distributed pursuant to this subsection are in addition to any other appropriation, transfer or other allocation of public or private monies from any other source and shall not supplant, replace or cause a reduction in other school district, charter school, university or community college funding sources. The monies shall be distributed as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year's debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the

universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district shall be distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:

- (a) In fiscal year 2001-2002, \$15,305,900.
- (b) In fiscal year 2002-2003, \$31,530,100.
- (c) In fiscal year 2003-2004, \$48,727,700.
- (d) In fiscal year 2004-2005, \$66,957,200.
- (e) In fiscal year 2005-2006 and each fiscal year thereafter, \$86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by the legislature each fiscal year to the department of education to be used for accountability purposes as described in section 15-241 and title 15, chapter 9, article 8.

8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one million five hundred thousand dollars is appropriated each

fiscal year, to be paid in monthly installments, to the failing schools tutoring fund established by section 15-241.

9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, twenty-five million dollars shall be transferred each fiscal year to the state general fund to reimburse the general fund for the cost of the income tax credit allowed by section 43-1072.01.

10. After the payment of monies pursuant to paragraphs 1 through 9 of this subsection, the remaining monies collected during the preceding month shall be transferred to the classroom site fund established by section 15-977. The monies shall be allocated as follows in the manner prescribed by section 15-977:

(a) Forty per cent shall be allocated for teacher compensation based on performance.

(b) Twenty per cent shall be allocated for increases in teacher base compensation and employee related expenses.

(c) Forty per cent shall be allocated for maintenance and operation purposes.

F. The department shall credit the remainder of the monies in the transaction privilege and severance tax clearing account to the state general fund, subject to any distribution required by section 42-5030.01.

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5, ~~AND 8 and 9~~ of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. The department shall notify the state treasurer of that amount plus the proportionate share of additional allocated costs required to be paid to the taxpayer. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one thirty-sixth of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten per cent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-1554.06 or 41-1554.07 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer

1 shall continue to withhold and deposit the monies until the greater Arizona
 2 development authority certifies to the state treasurer that the default has
 3 been cured. In no event may the state treasurer withhold any amount that the
 4 defaulting political subdivision certifies to the state treasurer and the
 5 authority as being necessary to make any required deposits then due for the
 6 payment of principal and interest on bonds of the political subdivision that
 7 were issued before the date of the loan repayment agreement or bonds and that
 8 have been secured by a pledge of distributions made pursuant to this section.

9 I. Except as provided by sections 42-5033 and 42-5033.01, the
 10 population of a county, city or town as determined by the most recent United
 11 States decennial census plus any revisions to the decennial census certified
 12 by the United States bureau of the census shall be used as the basis for
 13 apportioning monies pursuant to subsection D of this section.

14 J. For the purposes of this section, "community college district"
 15 means a community college district **THAT IS** established pursuant to sections
 16 15-1402 and 15-1403 **AND** that is a political subdivision of this state.

17 Sec. 7. Section 42-5069, Arizona Revised Statutes, is amended to read:
 18 **42-5069. Commercial lease classification; definitions**

19 A. The commercial lease classification is comprised of the business of
 20 leasing for a consideration the use or occupancy of real property.

21 B. A person who, as a lessor, leases or rents for a consideration
 22 under one or more leases or rental agreements the use or occupancy of real
 23 property that is used by the lessee for commercial purposes is deemed to be
 24 engaged in business and subject to the tax imposed by article 1 of this
 25 chapter, but this subsection does not include leases or rentals of real
 26 property used for residential or agricultural purposes.

27 C. The commercial lease classification does not include:

28 1. Any business activities ~~which~~ **THAT** are classified under the
 29 transient lodging classification.

30 2. Activities engaged in by the Arizona exposition and state fair
 31 board or county fair commissions in connection with events sponsored by those
 32 entities.

33 3. Leasing real property to a lessee who subleases the property if the
 34 lessee is engaged in business classified under the commercial lease
 35 classification or the transient lodging classification.

36 4. Leasing real property pursuant to a written lease agreement entered
 37 into before December 1, 1967. This exclusion does not apply to ~~+~~

38 ~~(a)~~ the businesses of hotels, guest houses, dude ranches and resorts,
 39 rooming houses, apartment houses, office buildings, automobile storage
 40 garages, parking lots or tourist camps, or to the extension or renewal of any
 41 such written lease agreement.

42 ~~(b) Any such written lease agreement unless a rental occupancy tax is~~
 43 ~~paid pursuant to article 9 of this chapter.~~

44 5. Leasing real property by a corporation to an affiliated
 45 corporation. For **THE** purposes of this paragraph, "affiliated corporation"

means a corporation ~~which~~ THAT owns or controls at least eighty per cent of the lessor, THAT is at least eighty per cent owned or controlled by the lessor or THAT is at least eighty per cent owned or controlled by a corporation ~~which~~ THAT also owns or controls at least eighty per cent of the lessor. Ownership and control are determined by reference to the voting shares of a corporation.

~~6. Leasing real property for sublease if the tenant in possession of the property is subject to the rental occupancy tax pursuant to article 9 of this chapter.~~

~~7.~~ 6. Leasing real property for boarding horses.

~~8.~~ 7. Leasing or renting real property or the right to use real property at exhibition events in this state sponsored, operated or conducted by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with major league baseball teams or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

~~9.~~ 8. Leasing or renting real property or the right to use real property for use as a rodeo featuring primarily farm and ranch animals in this state sponsored, operated or conducted by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

~~10.~~ 9. Leasing or renting dwelling units, lodging facilities or trailer or mobile home spaces if the units, facilities or spaces are intended to serve as the principal or permanent place of residence for the lessee or renter or if the unit, facility or space is leased or rented to a single tenant thirty or more consecutive days.

~~11.~~ 10. Leasing or renting real property and improvements for use primarily for religious worship by a nonprofit organization that is exempt from taxation under section 501(c)(3) of the internal revenue code and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

~~12.~~ 11. Leasing or renting real property used for agricultural purposes under either of the following circumstances:

(a) The lease or rental is between family members, trusts, estates, corporations, partnerships, joint venturers or similar entities, or any combination thereof, if the individuals or at least eighty per cent of the beneficiaries, shareholders, partners or joint venturers share a family relationship as parents or ancestors of parents, children or descendants of children, siblings, cousins of the first degree, aunts, uncles, nieces or nephews of the first degree, spouses of any of the listed relatives and listed relatives by the half-blood or by adoption.

(b) The lessor leases or rents real property used for agricultural purposes under no more than three leases or rental agreements.

~~13-~~ 12. Leasing, renting or granting the right to use real property to vendors or exhibitors by a trade or industry association ~~which~~ THAT is a qualifying organization pursuant to section 513(d)(3)(C) of the internal revenue code for a period not to exceed twenty-one days in connection with an event that meets all of the following conditions:

(a) ~~Where~~ The majority of such vending or exhibition activities ~~relate~~ RELATES to the nature of THE trade or business sponsoring the event.

(b) The event is held in conjunction with a formal business meeting of the trade or industry association.

(c) The event is organized by the persons engaged in the particular trade or industry.

~~14-~~ 13. Leasing, renting or granting the right to use real property for a period not to exceed twenty-one days by a coliseum, civic center, civic plaza, convention center, auditorium or arena owned by this state or any of its political subdivisions.

~~15-~~ 14. Leasing or subleasing real property used by a nursing care institution as defined in section 36-401 that is licensed pursuant to title 36, chapter 4.

~~16-~~ 15. Leasing or renting a transportation facility as provided in section 28-7705, subsections A and B.

~~17-~~ 16. Granting or providing rights to real property that constitute a profit à prendre for the severance of minerals, including all rights to use the surface or subsurface of the property as is necessary or convenient to the right to sever the minerals. This paragraph does not exclude from the commercial lease classification leasehold rights to the real property that are granted in addition to and not included within the right of profit à prendre, but the tax base for the grant of such a leasehold right, if the gross income derived from the grant is not separately stated from the gross income derived from the grant of the profit à prendre, shall not exceed the fair market value of the leasehold rights computed after excluding the value of all rights under the profit à prendre. ~~As used in~~ FOR THE PURPOSES OF this paragraph, "profit à prendre" means a right to use the land of another to mine minerals, and carries with it the right of entry and the right to remove and take the minerals from the land and also includes the right to use the surface of the land as is necessary and convenient for exercise of the profit.

D. The tax base for the commercial lease classification is the gross proceeds of sales or gross income derived from the business, but reimbursements to the lessor for utility service shall be deducted from the tax base.

E. Notwithstanding section 42-1104, subsection B, paragraph 1, subdivision (b) and paragraph 2, the failure to file tax returns for the commercial lease classification that report gross income derived from any

1 agreement that constitutes, in whole or in part, a grant of a right of profit
2 à prendre for the severance of minerals does not constitute an exception to
3 the general rule for the statute of limitations.

4 F. For THE purposes of this section:

5 1. "Leasing" includes renting.

6 2. "Real property" includes any improvements, rights or interest in
7 such property.

8 Sec. 8. Repeal

9 Section 42-5077, Arizona Revised Statutes, is repealed.

10 Sec. 9. Section 42-5201, Arizona Revised Statutes, is amended to read:

11 42-5201. Definitions

12 In this article, unless the context otherwise requires:

13 1. "Gross value of production" means the sum of the value of
14 production determined for each metalliferous mineral mined by the severer.

15 2. "Metallic product" means any metalliferous mineral or metalliferous
16 mineral product.

17 3. "Metalliferous mineral" means copper, gold, silver, molybdenum or
18 other metal or any ore or substance containing such metals including
19 turquoise that is severed within this state.

20 4. "Metalliferous mineral product" means the material resulting from
21 the processing of a metalliferous mineral including any concentrate of an
22 ore, any precipitate of a metalliferous mineral or any metal bullion.

23 5. "Mining" means the activity of extracting from the earth substances
24 that become metalliferous minerals and:

25 (a) In the case of ore that is customarily milled, concentrated,
26 agitation leached, or vat leached, mining includes all activity from the
27 breaking of ground to the delivery of ore to the primary crusher, including
28 blasting, loading, hauling, including hauling of waste, and dumping. The
29 quantity mined shall be measured after final crushing.

30 (b) In the case of ore that is not customarily milled, concentrated,
31 agitation leached, or vat leached, mining includes all activity from the
32 breaking of ground to the delivery of the ore to the reduction works, or if
33 the reduction works are located away from the situs of the mining activity,
34 to the point at which the ore is loaded on a means of transport to the
35 reduction works. The quantity mined shall be measured upon delivery to the
36 reduction works, or if the reduction works are located away from the situs of
37 mining activity, upon loading on a means of transport to the reduction works.

38 (c) In the case of dump or in situ leaching where the leach liquor is
39 precipitated, mining includes all activity from the breaking of ground, if
40 any, to the delivery of the leach liquor to the facility at which
41 precipitation takes place. The quantity mined shall be measured upon
42 precipitation.

43 (d) In the case of dump or in situ leaching where the leach liquor is
44 converted through a chemical, electrolytic or other means directly from a
45 liquor to a solid metallic mass, mining includes all activity from the

1 breaking of ground, if any, to the delivery of the leach liquor to the
2 solvent extraction or similar facility. The quantity mined shall be measured
3 upon delivery to the solvent extraction facility.

4 6. "Mining costs" means production costs incurred in mining.

5 7. "Out-of-state processing costs" means processing costs incurred by
6 the severer out of this state including freight charges incurred for shipping
7 metallic products out of this state.

8 8. "Price" means the per unit consideration a severer receives from
9 the sale during the reporting period of a metallic product whether sold
10 within or without this state. If a severer engages in manufacturing,
11 fabricating or other transforming activities of a refined metalliferous
12 mineral product before making a sale, the charges made by the severer for
13 such activities shall not be a part of the consideration in establishing the
14 price. If no sales occurred during the reporting period, price shall be
15 derived from the last reporting period in which sales occurred.

16 9. "Processing" means any non-mining activity that transforms
17 metalliferous minerals into metalliferous mineral products including
18 precipitating, crushing, concentrating, smelting and refining. "Processing"
19 does not include manufacturing or fabrication or other transformation
20 activities beyond refining.

21 10. "Processing costs" means production costs other than mining costs.

22 11. "Production costs" means the costs incurred by the severer in
23 mining and processing until the point of sale including but not limited to
24 energy, fuel, labor, supplies, depreciation, transportation and other
25 expenses reasonably allocable to mining or processing including but not
26 limited to labor benefits, property taxes, lease payments for equipment used
27 in mining or processing and support services such as maintenance, security
28 and administration if such services are site specific. Production costs also
29 include selling expenses but do not include severance taxes or depletion
30 expenses. Production costs also do not include corporate salary and office
31 expenses, income taxes, interest expense on debt or corporate capital
32 charges.

33 12. "Recoverable units" means metalliferous mineral units based on
34 processing or contractual recoveries during the period of production.

35 13. "Sale" shall have the meaning ascribed to it in section 42-5001.

36 14. "Severer" means a person engaging in the business of mining ~~or~~
37 ~~timbering.~~

38 15. "Severing" means mining ~~or timbering.~~

39 ~~16. "Timber product" means poles, saw logs, pulpwood or firewood which~~
40 ~~result from timbering.~~

41 ~~17. "Timbering" includes all activities of a severer within this state~~
42 ~~resulting in the production of a timber product, including felling, limbing,~~
43 ~~bucking, skidding, loading and all activities ordinarily required under the~~
44 ~~terms of United States forest service timber contracts granted under 36 Code~~

~~of Federal Regulations section 223.1, whether performed by the severer or a contractor of the severer.~~

~~18-~~ 16. "Value of production" means the price multiplied by the recoverable units of a metallic product mined by the severer.

Sec. 10. Section 42-5202, Arizona Revised Statutes, is amended to read:

42-5202. Levy of tax

A. There is levied on any severer, and the department shall collect, an excise tax, denominated as a severance tax.

B. Except as provided in section 42-5203, the severance tax is in lieu of any other tax imposed upon the activities of ~~timbering or~~ mining and processing by article 1 of this chapter.

C. The amount of the severance tax levied on a severer engaging in the business of mining shall be determined by multiplying the net severance base by two and one-half per cent.

~~D. The amount of the severance tax levied on a severer engaging in the business of timbering shall be:~~

~~1. Two dollars thirteen cents per thousand board feet for timber products that are derived from ponderosa pine.~~

~~2. One dollar fifty one cents per thousand board feet for timber products derived from all species except ponderosa pine.~~

Sec. 11. Repeal

Title 42, chapter 5, article 9, Arizona Revised Statutes, is repealed.

Sec. 12. Section 43-1011, Arizona Revised Statutes, is amended to read:

43-1011. Taxes and tax rates

There shall be levied, collected and paid for each taxable year upon the entire taxable income of every resident of this state and upon the entire taxable income of every nonresident which is derived from sources within this state taxes determined in the following manner:

1. For taxable years beginning from and after December 31, 1996 through December 31, 1997:

(a) In the case of a single person or a married person filing separately:

If taxable income is: The tax is:

\$0 - \$10,000	2.90% of taxable income
\$10,001 - \$25,000	\$290, plus 3.30% of the excess over \$10,000
\$25,001 - \$50,000	\$785, plus 3.90% of the excess over \$25,000
\$50,001 - \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
\$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

(b) In the case of a married couple filing a joint return or a single person who is a head of a household:

If taxable income is: The tax is:

\$0 - \$20,000	2.90% of taxable income
\$20,001 - \$50,000	\$580, plus 3.30% of the excess over \$20,000

1 \$50,001 - \$100,000 \$1,570, plus 3.90% of the excess over \$50,000
 2 \$100,001 - \$300,000 \$3,520, plus 4.80% of the excess over \$100,000
 3 \$300,001 and over \$13,120, plus 5.17% of the excess over \$300,000

4 2. For taxable years beginning from and after December 31, 1997
 5 through December 31, 1998:

6 (a) In the case of a single person or a married person filing
 7 separately:

8 If taxable income is: The tax is:

9 \$0 - \$10,000 2.88% of taxable income
 10 \$10,001 - \$25,000 \$288, plus 3.24% of the excess over \$10,000
 11 \$25,001 - \$50,000 \$774, plus 3.82% of the excess over \$25,000
 12 \$50,001 - \$150,000 \$1,729, plus 4.74% of the excess over \$50,000
 13 \$150,001 and over \$6,469, plus 5.10% of the excess over \$150,000

14 (b) In the case of a married couple filing a joint return or a single
 15 person who is a head of a household:

16 If taxable income is: The tax is:

17 \$0 - \$20,000 2.88% of taxable income
 18 \$20,001 - \$50,000 \$576, plus 3.24% of the excess over \$20,000
 19 \$50,001 - \$100,000 \$1,548, plus 3.82% of the excess over \$50,000
 20 \$100,001 - \$300,000 \$3,458, plus 4.74% of the excess over \$100,000
 21 \$300,001 and over \$12,938, plus 5.10% of the excess over \$300,000

22 3. For taxable years beginning from and after December 31, 1998
 23 THROUGH DECEMBER 31, 2005:

24 (a) In the case of a single person or a married person filing
 25 separately:

26 If taxable income is: The tax is:

27 \$0 - \$10,000 2.87% of taxable income
 28 \$10,001 - \$25,000 \$287, plus 3.20% of the excess over \$10,000
 29 \$25,001 - \$50,000 \$767, plus 3.74% of the excess over \$25,000
 30 \$50,001 - \$150,000 \$1,702, plus 4.72% of the excess over \$50,000
 31 \$150,001 and over \$6,422, plus 5.04% of the excess over \$150,000

32 (b) In the case of a married couple filing a joint return or a single
 33 person who is a head of a household:

34 If taxable income is: The tax is:

35 \$0 - \$20,000 2.87% of taxable income
 36 \$20,001 - \$50,000 \$574, plus 3.20% of the excess over \$20,000
 37 \$50,001 - \$100,000 \$1,534, plus 3.74% of the excess over \$50,000
 38 \$100,001 - \$300,000 \$3,404, plus 4.72% of the excess over \$100,000
 39 \$300,001 and over \$12,844, plus 5.04% of the excess over \$300,000

40 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2005
 41 THROUGH DECEMBER 31, 2006:

42 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
 43 SEPARATELY:

1 IF TAXABLE INCOME IS: THE TAX IS:
2 \$0 - \$10,000 2.73% OF TAXABLE INCOME
3 \$10,001 - \$25,000 \$273, PLUS 3.04% OF THE EXCESS OVER \$10,000
4 \$25,001 - \$50,000 \$729, PLUS 3.55% OF THE EXCESS OVER \$25,000
5 \$50,001 - \$150,000 \$1,617, PLUS 4.48% OF THE EXCESS OVER \$50,000
6 \$150,001 AND OVER \$6,097, PLUS 4.79% OF THE EXCESS OVER \$150,000
7 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
8 PERSON WHO IS A HEAD OF A HOUSEHOLD:
9 IF TAXABLE INCOME IS: THE TAX IS:
10 \$0 - \$20,000 2.73% OF TAXABLE INCOME
11 \$20,001 - \$50,000 \$546, PLUS 3.04% OF THE EXCESS OVER \$20,000
12 \$50,001 - \$100,000 \$1,458, PLUS 3.55% OF THE EXCESS OVER \$50,000
13 \$100,001 - \$300,000 \$3,233, PLUS 4.48% OF THE EXCESS OVER \$100,000
14 \$300,001 AND OVER \$12,193, PLUS 4.79% OF THE EXCESS OVER \$300,000
15 5. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006
16 THROUGH DECEMBER 31, 2007:
17 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
18 SEPARATELY:
19 IF TAXABLE INCOME IS: THE TAX IS:
20 \$0 - \$10,000 2.59% OF TAXABLE INCOME
21 \$10,001 - \$25,000 \$259, PLUS 2.88% OF THE EXCESS OVER \$10,000
22 \$25,001 - \$50,000 \$691, PLUS 3.36% OF THE EXCESS OVER \$25,000
23 \$50,001 - \$150,000 \$1,531, PLUS 4.24% OF THE EXCESS OVER \$50,000
24 \$150,001 AND OVER \$5,771, PLUS 4.54% OF THE EXCESS OVER \$150,000
25 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
26 PERSON WHO IS A HEAD OF A HOUSEHOLD:
27 IF TAXABLE INCOME IS: THE TAX IS:
28 \$0 - \$20,000 2.59% OF TAXABLE INCOME
29 \$20,001 - \$50,000 \$518, PLUS 2.88% OF THE EXCESS OVER \$20,000
30 \$50,001 - \$100,000 \$1,382, PLUS 3.36% OF THE EXCESS OVER \$50,000
31 \$100,001 - \$300,000 \$3,062, PLUS 4.24% OF THE EXCESS OVER \$100,000
32 \$300,001 AND OVER \$11,542, PLUS 4.54% OF THE EXCESS OVER \$300,000
33 6. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007
34 THROUGH DECEMBER 31, 2008:
35 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
36 SEPARATELY:
37 IF TAXABLE INCOME IS: THE TAX IS:
38 \$0 - \$10,000 2.45% OF TAXABLE INCOME
39 \$10,001 - \$25,000 \$245, PLUS 2.72% OF THE EXCESS OVER \$10,000
40 \$25,001 - \$50,000 \$653, PLUS 3.17% OF THE EXCESS OVER \$25,000
41 \$50,001 - \$150,000 \$1,446, PLUS 4.00% OF THE EXCESS OVER \$50,000
42 \$150,001 AND OVER \$5,446, PLUS 4.29% OF THE EXCESS OVER \$150,000
43 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
44 PERSON WHO IS A HEAD OF A HOUSEHOLD:

1 IF TAXABLE INCOME IS: THE TAX IS:
2 \$0 - \$20,000 2.45% OF TAXABLE INCOME
3 \$20,001 - \$50,000 \$490, PLUS 2.72% OF THE EXCESS OVER \$20,000
4 \$50,001 - \$100,000 \$1,306, PLUS 3.17% OF THE EXCESS OVER \$50,000
5 \$100,001 - \$300,000 \$2,891, PLUS 4.00% OF THE EXCESS OVER \$100,000
6 \$300,001 AND OVER \$10,891, PLUS 4.29% OF THE EXCESS OVER \$300,000
7 7. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2008
8 THROUGH DECEMBER 31, 2009:
9 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
10 SEPARATELY:
11 IF TAXABLE INCOME IS: THE TAX IS:
12 \$0 - \$10,000 2.31% OF TAXABLE INCOME
13 \$10,001 - \$25,000 \$231, PLUS 2.56% OF THE EXCESS OVER \$10,000
14 \$25,001 - \$50,000 \$615, PLUS 2.98% OF THE EXCESS OVER \$25,000
15 \$50,001 - \$150,000 \$1,360, PLUS 3.76% OF THE EXCESS OVER \$50,000
16 \$150,001 AND OVER \$5,120, PLUS 4.04% OF THE EXCESS OVER \$150,000
17 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
18 PERSON WHO IS A HEAD OF A HOUSEHOLD:
19 IF TAXABLE INCOME IS: THE TAX IS:
20 \$0 - \$20,000 2.31% OF TAXABLE INCOME
21 \$20,001 - \$50,000 \$462, PLUS 2.56% OF THE EXCESS OVER \$20,000
22 \$50,001 - \$100,000 \$1,230, PLUS 2.98% OF THE EXCESS OVER \$50,000
23 \$100,001 - \$300,000 \$2,720, PLUS 3.76% OF THE EXCESS OVER \$100,000
24 \$300,001 AND OVER \$10,240, PLUS 4.04% OF THE EXCESS OVER \$300,000
25 8. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2009:
26 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
27 SEPARATELY:
28 IF TAXABLE INCOME IS: THE TAX IS:
29 \$0 - \$10,000 2.17% OF TAXABLE INCOME
30 \$10,001 - \$25,000 \$217, PLUS 2.40% OF THE EXCESS OVER \$10,000
31 \$25,001 - \$50,000 \$577, PLUS 2.79% OF THE EXCESS OVER \$25,000
32 \$50,001 - \$150,000 \$1,275, PLUS 3.52% OF THE EXCESS OVER \$50,000
33 \$150,001 AND OVER \$4,795, PLUS 3.79% OF THE EXCESS OVER \$150,000
34 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A SINGLE
35 PERSON WHO IS A HEAD OF A HOUSEHOLD:
36 IF TAXABLE INCOME IS: THE TAX IS:
37 \$0 - \$20,000 2.17% OF TAXABLE INCOME
38 \$20,001 - \$50,000 \$434, PLUS 2.40% OF THE EXCESS OVER \$20,000
39 \$50,001 - \$100,000 \$1,154, PLUS 2.79% OF THE EXCESS OVER \$50,000
40 \$100,001 - \$300,000 \$2,549, PLUS 3.52% OF THE EXCESS OVER \$100,000
41 \$300,001 AND OVER \$9,589, PLUS 3.79% OF THE EXCESS OVER \$300,000

1 Sec. 13. Section 43-1111, Arizona Revised Statutes, is amended to
2 read: 43-1111. Tax rates for corporations

3 There shall be levied, collected and paid for each taxable year upon
4 the entire Arizona taxable income of every corporation, unless exempt under
5 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,
6 taxes in an amount of ~~6.968 per cent of net income or~~ THE GREATER OF fifty
7 dollars, ~~whichever is greater.~~ OR:

8 1. 6.968 PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND
9 AFTER DECEMBER 31, 2004 THROUGH DECEMBER 31, 2005.

10 2. 6.65 PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND
11 AFTER DECEMBER 31, 2005 THROUGH DECEMBER 31, 2006.

12 3. 6.30 PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND
13 AFTER DECEMBER 31, 2006 THROUGH DECEMBER 31, 2007.

14 4. 5.95 PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND
15 AFTER DECEMBER 31, 2007 THROUGH DECEMBER 31, 2008.

16 5. 5.60 PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND
17 AFTER DECEMBER 31, 2008 THROUGH DECEMBER 31, 2009.

18 6. 5.25 PER CENT OF NET INCOME FOR TAXABLE YEARS BEGINNING FROM AND
19 AFTER DECEMBER 31, 2009.END_STATUTE

20 Sec. 14. Retroactivity

21 Sections 43-1011 and 43-1111, Arizona Revised Statutes, as amended by
22 this act, apply retroactively to taxable years beginning from and after
23 December 31, 2005.

24 Sec. 15. Conforming legislation

25 The legislative council staff shall prepare proposed legislation
26 conforming the Arizona Revised Statutes to the provisions of this act for
27 consideration in the forty-ninth legislature, first regular session.